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AN ANALYSIS OF THE GOALS OF  
FIVE OIL PRODUCING NATIONS

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This paper is part of a research project<sup>1</sup> attempting to develop long range forecasting models for foreign policy planning. In this paper an attempt will be made to analyze the goals of five nations: Iraq, Iran, Algeria, Libya and Saudi Arabia. The relevance of this enterprise to foreign policy planning is that the goals of a state determine what it would be willing to give up in negotiations and what kind of bait can be used to strike bargains with that state.

In this paper a goal will be understood to mean a desired state of affairs. A nation's goals are those of the top decision-making elite in the nation. It is assumed that to some extent the elite is a coherent group and the goal set is uniform for all members. The desired states may be either those which can be attained only with some change or those which are already achieved and only need to be preserved. Goals may be either specific or general quantitative targets or open-ended growth desires. Goals may be either ends in themselves or means to other goals or both.

The analysis will take two parts. In the first part the modal goal set of four of the five nations will be laid out. In the second part the relative importance of the goals will be assessed.

The identification of national goals can be approached in three possible ways. First, one can posit a set of goals which are held by all nations. Second, one can look at the

public statements of the nation's leaders for their assertions of their goals. Finally, one can reason from the goals defined by the other two methods to other goals which seem to be necessary for the achievement of the other goals.

The first method has been an extremely popular one in the literature of political science over time. Some examples of such an approach can be given. Morgenthau (1965:27) has offered the opinion that all nations are power seekers. Galtung (1966) has suggested that all nations seek certain goals in reference to their rank in international society on status dimensions, namely, that nation's seek to maximize their total rank and to equilibrate their ranks. Aron (1966) claims that all nations seek three goals: power, prestige and the advancement of some ideological position. Rosenau (1971) has hypothesized that nations seek to maintain the values of certain essential variables within acceptable limits, a process he calls adaptation.

The primary problem with these attempts to identify goals is that they refer essentially to foreign policy problems. This is understandable in view of the greater diversity of domestic needs and desires. There are perhaps no universally held national goals in reference to domestic policy. A major philosophical problem of these goals is that they assert statements as universally true which have not been tested against all cases in the universe. In other words, it is the classical induction problem. Although the truth of the statement for all other

cases makes it more probable that it will be true for later cases, it does not make it sure. It has to be tested against each succeeding case.

The second approach has also been extensively employed in the past. In this paper the primary source of goal statements are the reports in the Foreign Broadcast Information Service Daily Report (FBIS)<sup>2</sup>. This source has been augmented by some other primary documents. Some caveats about this source of data. First, although the editorial policies of FBIS are not published, there seems to be a bias toward reporting statements with some explicit foreign policy content. Second, because some national leaders are less verbal than others, there is an underrepresentation in the statements of some leaders. Third, the same result due to the differential degrees of rhetorical extremism used by the national leaders. As a result, the data base for this section of the paper is heavily skewed in favor of Iraq and Libya, and Saudi Arabia and Algeria are grossly underrepresented.

The third method is also very often used. It is also fraught with dangers. Two are most obvious. One is that there is great chance of error in deduction on the part of the analyst, especially in an area where the empirical premises are as questionable as they are in the social sciences. The other is that one is always on tenuous grounds ascribing to the decision-makers of the subject nations the goals which

seem necessary to the analyst because of the high probability that the decision-makers have not made the same calculations that the author has. Therefore, the goals revealed through a deductive process must be confirmed with other kinds of data.

We can begin this analysis by looking at some goals which seem to be commonly held by the decision-makers in four of the nations<sup>3</sup>. Perhaps the best way to begin would be to quote extensively from national spokesmen making as succinct as possible statements of the national goal sets. An unidentified member of the ruling Revolutionary Command Council speaks for Libya:

The Libyan people ... have empowered the leadership to steer the phase of revolutionary transformation, to forge ahead toward building the all round Arab unity, to plan a socialism stemming from the Holy Koran, to enter the era of industry, to manage the agricultural revolution, to help erect a policy of positive neutrality and nonalignment and to come to the aid of the movements of national liberation throughout the world against the forces of evil, oppression and aggression which many countries are still witnessing and which they are enduring<sup>4</sup>.

Prime Minister Hoveyda offers a more detailed goal statement from Iran:

One could sum up the main goals of the Fifth Plan in the following: the preservation of our rapid and continuous rate of economic growth combined with relative price stability and the maintenance of the external balance of payments; a more equitable distribution of the national income; the provision of productive employment opportunities for those seeking jobs; the constant increasing of the level of knowledge and culture and of public health, well-being and prosperity of the society; the preservation and improvement of the environment; the creation of a better balance between the various regions of the country from an economic and social point of view; the reform of the administrative set-up and the strengthening of the nation's defense capabilities; full use of existing productive capacities and the elevation of the level of output in the production

and supply of goods and services in both the public and private sectors, and finally, Iran's increasing share not only in international trade, including our own growing presence in new world markets, but also in other major economic and political processes in the world<sup>5</sup>.

Al Bakr indicates a number of the goals of the Iraqi leadership:

Foremost among these objectives was freeing the national wealth from the control of foreign monopolies ... Before you are the tasks of strengthening the national structure based on liberative, progressive and democratic bases. Before us are the tasks of building a national, pan-Arab and progressive front. Before us is the task of achieving the welfare of the toiling masses. Before us is a noble and pan-Arab duty requiring maximum endurance and sacrifice, a relentless and difficult duty. It is to confront the usurping imperialist-Zionist enemy

to liberate our holy land from his claws<sup>6</sup>.

We can turn to Mr. Boumediene for statements pertaining to Algeria's national goals:

"Algeria intends to be the mistress of its substrata ... For us, agrarian reform is a fundamental political choice. The state must intervene in order to transform the rural world in a radical manner ... We must produce for our internal consumption."<sup>7</sup>

In another speech he laid out three goals for the algerian revolution: "... the rehabilitation of the national economy ... freeing the national economy from all subjection ... setting up democratically elected assemblies at the heart of enterprises of an economic, social and cultural nature."<sup>8</sup>

This data allows us to assert the existence of a set of fairly generalized goals which are held by the leadership of the five nations. That economic development as one of those goals is fairly clear. All five leaders indicated an urgent need to modernize, rehabilitate, industrialize or speed up their respective economies. These statements indicate the desire to achieve economic development. A second goal which is apparent is to minimize the dependence of the nation on external sources of support. Basically, this is an autarchic urge to have the national economy capable of meeting domestic consumption needs so that imports are not



needed. A third goal which emerges is the achievement of humanitarian social goals. Generally, these include such things as the provision of housing, clothing, food and water for the citizens of the nation. A fourth commonality that needs to be pointed out is that each nation has a set of foreign policy objectives which it pursues. These foreign policy objectives are not homogenous across all the nations, but the fact that the nations each have important foreign policy goals is all that is important at this point.

With these four goal problems we can examine some of the common options that the national decision-makers have available to them, and some of the dilemmas and decision-problems they face. This analysis will establish a framework for the analysis of the goals of particular nations later.

In order to develop economically, it is also axiomatic that the industrial output produce adequate amounts of consumption goods so as not to depend on imports. Increased industrial output can be achieved through some combination of governmental investment and private investment. This suggests one additional goal and one choice to be made. The additional goal is to maximize public investment in industry. The choice to be made is whether and in what ways to allow or encourage private investment in the industry.

No matter how investment in industry is to be financed, the decision to industrialize necessitates certain other kinds

of expenditures by the government. Industry requires power, so the infrastructure must be established to supply factories with power. First, there must be electrical power, so electricity generating facilities and a power network must be established. Second, many industries require fuel such as coal or petroleum. In order to have fuel available, it must either be mined internally or imported. In either case there must be a network of road and railroads to transport the fuel to the factory. Roads and railroads are also required to transport the products of the factory to internal markets or to loading points for international commerce. The development of all of these is thus a goal of the leadership.

Another problem which faces the thrust toward industrialization is the securing of adequate numbers of workers, both skilled and unskilled. The solution to the problem of skilled workers depends on the investment policy taken. If private enterprise is involved, it will supply the skilled technicians and managers required at the plants. If the factory is a government project the government must look to the supply of technicians and managers. It can be safely assumed that no adequate pool of such persons exists within any of these countries. Therefore, extraordinary measures are required. There are three basic ways in which the skilled workers can be obtained. In the short-run they can be acquired from other nations through foreign technical assistance. More long run solutions involve the training of

persons. One way is to have a program of education, including either supervised training of persons in specialized skilled labors or more general education programs to create a pool of generally skilled persons who could be more easily adapted to a variety of tasks. The third option is to place relatively unskilled persons in jobs and have them acquire the skills through experience. This last option would be clearly modeled on the Chinese experience.

There are a number of trade-offs involved in the choice of a particular approach to the problem. The dependence on foreign technicians is clearly the most efficient in the short-run, but it is not a viable long-run solution and it conflicts with the goals of minimizing dependence on other entities. The option of educating a large pool of persons in general skills is perhaps the best long-run solution, but given the very low rates of literacy in the nations it provides no hope for short-run relief. The option of supervised training in particular skills is considerably faster than general education in providing skilled persons and is a better long-run solution than reliance on foreign technicians and managers, but has the immediate drawback of siphoning off trained persons from production jobs so that they can supervise the training of others. The last option is clearly the most inefficient in the short run and is only more efficient in the long run than the reliance on foreign technical assistance. However, it does have the strengths of putting warm

bodies into slots in an organization chart and providing some experience to a larger number of persons than any of the other options.

The other manpower problem posed by the necessity to industrialize is that of providing a pool of laborers for the more unskilled jobs that need to be done. This usually becomes a problem of persuading people to leave their agricultural pursuits in the rural areas and move to the urban areas. However, each of these nations has a severe unemployment problem so the pool of unskilled workers exists already.

The second goal identified was that there should be a minimum of dependence on external entities. This goal has two main thrusts: self-sufficiency and national control over economic production. Self-sufficiency has two main aspects: industrial and agricultural. Industrial self-sufficiency is a by-product of economic development in that the greater the economic development the greater the industrial self-sufficiency, assuming that industrial production is geared somewhat toward domestic consumption needs. Agricultural self-sufficiency means that the agricultural sector is able to supply adequate foodstuffs to meet domestic consumption needs. In these countries that would require the adoption of an additional goal: to increase agricultural output.

A number of different strategies exist for the expansion of agricultural output. One of them is to increase produc-

tion on land that is already under cultivation. Three techniques exist for increasing yields. One, fertilizers can be employed to improve the quality of the soil. Two, the work on the farms can be mechanized. Three, the amount of water on the crops can be controlled better through various irrigation techniques.

Two things are common about these three techniques. First, they are only appropriately employed in a large scale. This is because the equipment necessary to employ any of these techniques are capable of servicing a large area. Modern farm equipment can be used on small farms, but it would lie inactive for long periods of time, whereas on a large farm it gets used more extensively. In addition, it would be prohibitively expensive for a small farmer to purchase a large amount of equipment. Similarly for irrigation facilities and chemical fertilizers. The second commonality is that the techniques all require fairly heavy expenditures. This means that the government must make financial inputs into agricultural development, an additional goal.

A second strategy for increasing agricultural production is to increase the total amount of land under cultivation. The first way that this can be done is to move arable but inactive land into cultivation. The primary way to do this is to expropriate large estates with absentee owners and turn it over to active farmers. The second way that it can be done is to reclaim land from the desert. This requires the building

of dams or the digging of wells and the creation of irrigation networks to get water to previously desert land. This in turn requires expenditure by the government.

A third way to create agricultural self-sufficiency is to diversify agriculture. Prime examples are the creation of national fishing and dairy industries. Such an action involves making expenditures both in the creation of plant facilities such as fleets and farms and processing plants. In addition, it also requires specialized manpower, facing the leadership with a set of choices like those relating to industrial manpower needs.

A fourth way to move toward agricultural self-sufficiency is to reduce the production of surplus generating produce and shift the resources thus saved to the production of other kinds of foodstuffs.

The decision-makers thus have a number of constraints and options in achieving agricultural self-sufficiency. They have to encourage larger modes of organization in the agricultural sector. It can do it in three ways. It can encourage the formation of cooperatives in which a number of small farmers share the more advanced technology (tractors, combines, etc.) among themselves, thereby reaping the economies of scale; or it can encourage private enterprise (agri-business) to move in and run large sections of the agricultural sector. The tradeoffs are significant. The first two require massive inputs of government cash. The last would cost the government little or nothing

but would involve the displacement of numbers of rural persons and would require the additional penetration of the economy by foreign companies. Displacement of persons would be terribly unhumanitarian. And the penetration of the economy by foreign companies would be seen as counterproductive to the goal of minimizing dependence.

In addition to these choices in altering the organization of agriculture, the decision-makers have some options in financing the investments involved in some of the approaches to expanding agricultural output. Some, such as provision of irrigation facilities, simply require massive outlays of money. But the creation of fishing and dairy industries and the like are capable of more flexible solutions. Most notably, it is possible for a nation to seek out a possible partnership with another nation and form a jointly owned, managed and financed operation. This option requires a smaller input of government funds and allows economies of scale, but also abandons to some extent the goal of minimizing dependence.

The second main thrust of the goal of minimizing dependence was to exert national control over economic production. The reason for this is that where private, external entities control some area of economic activity they are able to make decisions without necessarily paying great heed to the effects on the national economy, and in some cases they may be able to use the control as a political weapon to influence national policy. There are a number of options available to the national

leadership in exerting control over the economy. At one extreme is full nationalization of enterprise. This can be done with varying degrees of compensation paid. Less extreme is to have a partial takeover, by forcing the enterprise to sell the government enough stock to insure it majority control of the enterprise. Another option is to negotiate some form of governmental participation in enterprise decision-making, either through stock purchases or veto options or mandatory participation. The number and variety of such possibilities are relatively limitless.

There is a major dilemma posed for national decision-makers in exerting control over the economy. If they opt for one of the more severe forms of getting control, they will have more complete control. However, in so doing they will usually precipitate a very severe economic conflict with potential disastrous economic effects, they risk the loss of the technicians and managers who run the enterprise, thereby placing further strain on their already shallow pool of technicians and managers, they risk losing the chance of further capital investment by the company or other companies placing extra demands on the governmental budget, and they create an environment that may reduce private investment in other sectors of the economy, thereby slowing industrialization and placing an extra burden on the government development budget. On the other hand, the more severe forms of control, nationalization or majority control, do



have the advantages of more fully meeting this goal of minimizing dependence. Further, they can also benefit the governmental budget if the enterprise is a profitable one by allowing the government a greater cut of the profit pie.

The third goal, the achievement of various humanitarian goals, is actually a heading for a potpourri of subgoals. The most significant of these are as follows. One of the basic human needs is shelter, preferably of a decent kind. A governmental goal would be to make sure housing is supplied. Another basic need is to have medical care. The governments goal would be to insure the provision of medical services. Subgoals here would include building hospitals and clinics, acquisition of medicines and acquisition of trained medical personnel, either through education of natives or through foreign assistance. Another humanitarian goal would be for the government to take actions to make sure consumer goods are available to the citizens. Another humanitarian goal is to eradicate poverty, which can be achieved through income redistribution and the reduction of unemployment. Another way to fight poverty in these countries is to ease the condition of the peasant by seeing to it that he has enough land to be able to earn a decent living. Thus land reform would perhaps be a major humanitarian goal. Another significant goal would be to eliminate illiteracy, suggesting an ancillary goal of providing education to the populace. This goal would entail the building of schools and the allo-

cation of educated persons to the schools as teachers. Finally, humanitarian impulses would seem to necessitate the provision of certain crucial social services to the public. Four outstanding ones would seem to be the building of roads, the provision of water, the construction of sanitation facilities and the creation of an electrical network.

Finally, the fourth category of goals, foreign policy goals, seems to necessitate three subgoals: the creation of a diplomatic network, the provision of financial and military assistance, and the maintenance of an armed services establishment.

Another significant subgoal derives from the goal of minimizing dependence. In order to operate industries the nation must have various raw materials. Some of these are fuels and some are important minerals, such as copper and iron or steel. The nation must either import them or produce them domestically. Since domestic production would be tantamount to decreasing dependence, a new goal has been uncovered: to exploit the nations mineral resources.

One very significant thing has been in common about all the goals and subgoals discussed so far. They all eventually lead to a necessity for the government to spend money. But the money supply is limited so these governments are placed under two constraints. First, they must make choices about what expenditures are most important to them. They must

have a set of priorities. The second constraint is that they must have an additional goal: they seek to increase the government income.

The government has a number of ways in which it can get new money to spend. Because of its importance in their economies, measures relating primarily to oil will be treated separately. In non-oil sectors the most obvious way for the government to get additional money to spend is through an increase in taxes, the traditional approach of monetarily pressed governments since time immemorial. Taxes include programs which are called taxes and those which are not but which require contributions to the government, such as mandatory savings programs. Another way to increase government revenue is to institute voluntary programs in which the public makes an input. This includes savings programs, selling stock in national enterprises and selling bonds on government projects. A third way is to seek increases in foreign assistance, where foreign assistance is relatively untied block grants of money. The next technique operates mostly to take some of the burden for development projects from the development budget. That is to get long-term low interest loans. A fifth way is for the government to sell more of the output of public industries. The sixth and seventh ways of bracing government finances involve alternative ways of financing dealings with external entities. The idea is to conserve foreign exchange pools.

This means that alternatives to hard currencies must be employed in making exchanges in the international market. There are two ways of doing that. One is to go to a bartering arrangement in negotiating trade agreements. The other is to attempt to pay off debts with goods. For example, supplying a certain amount of petroleum in return for the liquidation of a debt for a loan. The next two options involve increasing the flow of foreign currency into the national economy. By doing that some will be siphoned off by the government. Two ways of getting such an increased flow of foreign currency are to promote tourism and to increase exports. A final way for the government is to invest funds in private enterprises elsewhere. Then the dividends will provide financial resources in the future.

There are two ways in which the government can deal with financial problems by reducing the burden on the budget. The first is for it to encourage private investment in the economy. That would take some of the burden of industrialization off the government. The other is for the government to join other governments in joint financing of projects so that the cost will be reduced for each.

Finally, we can see how these goals relate to the most important sector of the economy, the petroleum sector. Since petroleum is so outlandishly important the viability of the economy and the government both depend on events in that sector. Therefore, it is one of the goals of the nations to gain con-

trol of this industry. The process of gaining control is dictated by the fact that petroleum is a magnificent profit-maker. To the extent that the government owns the petroleum facilities, to that extent it is not required to share those profits with anyone. And to that extent it can mitigate its own financial difficulties. Thus the first goal of these countries is to extend national ownership of the petroleum sector. The options available to the leadership are the same as for other areas of the economy and the constraints are also similar.

The role of petroleum as a revenue producer generates an additional goal, that being to maximize government revenues from petroleum. Nationalization as a means to that end has already been discussed. To the extent the petroleum is not totally owned and controlled by the government the revenues can be increased in any one or any combination of three ways: the tax rate on the oil companies can be increased, the price of oil can be increased, and/or the total amount of oil sold can be increased. The first can be done relatively autonomously by the governments, the same for the second in a sellers market. But the third necessitates the adoption of additional goals. First, there must be expanded production. Expanded production entails that the discovery rate of new petroleum reserves be accelerated, which in turn entails that an adequate number of skilled persons be available to the managers of the petroleum sector. Sources of such skilled oil prospectors are

similar to the sources of skilled manpower for all sectors. In addition to finding new petroleum deposits, expanded sales also requires that the petroleum delivery system be expanded. This means that new wells must be dug, new pipelines built and possible new tanking facilities developed: harbors modernized and new tankers built. Financing these projects is once again a problem, the main options being either to have government financing or private enterprise financing.

In addition to expanding its revenues through control and manipulation of the crude oil aspects of the petroleum industry, the oil producing countries can also increase their revenues by getting in on the refining aspects of the petroleum business, allowing them to sell petroleum products and reap a potentially greater profit than merely the profit from the sale of crude oil. So another possible goal would be to create a petrochemical industry.

Once again, the goals of the decision-makers and the constraints in the system seem to place the government in a dilemma. On the one hand, their participation in the exploration for oil and the management of facilities, in addition to their financial help, would be greatly appreciated. If the government institutes policies that are too severe it may prevent the oil companies from being cooperative. In addition, if the oil companies are the primary customers of the oil, which is the case with crude oil, harsh policies may trigger a boycott of their oil and cause severe short term

damage to the budget and to development plans. On the other hand, if the government policies are more severe the sooner it will manage to get control or a significant increase in revenues, with all the advantages that suggests.

Now that the internal logic of goals, as reconstructed by an unexpert outsider, has been explicated, it is now time to turn and see how the decision-makers of each nation see the situation and how they react to the dilemmas presented.

## LIBYA'S GOALS

In the few years since the present regime came into power the Libyan Arab Republic has established itself as one of the most active revolutionary actors on the world scene. This revolutionary bent is reflected in the extreme formulation of its foreign policy goals, the avidness with which they are pursued, and the intensity of the regime's actions in securing control over the national economy.

The fundamental link in Libyan revolutionary ideology is the apparently whole-hearted belief in the existence of an Arab nation. This Arab nation is afflicted by a number of malaises, the most notable being the political division of the Arabs into "regions" which we call nation-states, the occupation of Arab territory by Israel, aggression against the Arab people by the dark and nefarious forces of imperialism and the underdevelopment of the Arab nation. Libyan foreign policy is fired by the urge to eradicate these evils. Thus Kaddafi has asserted the new great aim of the Libyan Revolution is to procure the "freedom of all Arabs and the unity of the entire Arab nation."<sup>9</sup>

A fundamental perception of the world held by the Libyan leadership must be understood if Libyan ideology is to be understood. The Libyan leaders perceive the present Arab states as being small, weak entities in a world dominated by large powers. So long as the Arab states are divided, they will not be able to resist the pressures from these large



states. Their autonomy will be fraudulent since they will be controlled through subtle means by powers they are unable to resist. Thus Kaddafi has advocated a policy of positive neutrality, meaning no alliances with major powers, for when such alliances are formed "the Arabs have lost their independence."<sup>10</sup> However, a united Arab nation would have the population and the wealth necessary to preserve independence of the Arabs.<sup>11</sup>

To this end, the Libyan regime has engaged in a series of actions to bring about Arab unity. The most famous of course is the unification plan between Egypt and Libya. In this problem area the Libyans have demonstrated that their urge to bring things to fruition is greater than that of the Egyptians. At another time Kaddafi offered to Mr. Bourguiba the leadership of a unified Libya and Tunisia.<sup>12</sup> The urging of Arab unity is a constant and tiresome theme in their public speeches. In addition, Kaddafi has evolved a theory of Arab unity which is worth quoting at length. He begins by positing three mechanisms for producing unity.

The first method of Arab unity is the ideal one which Abd an-Nasir advocated: the unity of the revolutionary regimes which believe in freedom, socialism and unity, which will unite when the revolution takes place in their respective countries.

The second method of reunion is that we should abandon the ideal method for

achieving Arab unity and try to bring the Arabs together within the present regimes--the monarchy, the republic the amirate, the feudal state and the socialist state.

The third method of Arab unity is that of conquest--united Arab forces should conquer Arab countries, in order to achieve unity by force.<sup>13</sup>

His assessment of the situation is that the second method will not work and the first cannot be depended on, so he offers the following strategy: ...should the regimes fail to unite themselves in their present form, then revolutions should break out to achieve Arab unity. A revolutionary tide and conquest should break out to achieve Arab unity. All this area must flare up to achieve an Arab unity.<sup>14</sup> For this reason the correspondent for the Economist observes that "President Kaddafi of Libya does not conceal his hopes or his ambitions. Libya is to do for the Arab world what Prussia did for the unification of Germany."<sup>15</sup>

The approach of the Libyan regime to the solution of other foreign policy problems has also been active. In reference to the Israeli problem it has been reported that Libyan commandos were fighting along with the Palestinian Feyadeen<sup>16</sup> and Kaddafi has offered to open Libyan territory

and to pick up the tab for the training of any Arab who was willing to join the battle.<sup>17</sup> The Libyan regime has also confronted the perceived Imperialist threat with aggressive action by supporting financially the revolutionary enemies of the so-called Imperialist powers. Money has been given to Malta,<sup>18</sup> to Uganda,<sup>19</sup> to the Philippine Moslems,<sup>20</sup> to Equatorial Guinea,<sup>21</sup> to the United Arab Republic,<sup>22</sup> to Syria,<sup>23</sup> to South Yemen,<sup>24</sup> and to Black Muslims in Chicago.<sup>25</sup> Threats have been made to send armies into the Spanish Sahara to generate a revolution.<sup>26</sup> In all, the regime has given about \$1.5 billion in aid to the revolutionaries of the world.<sup>27</sup> And it has directly acted against the "imperialist" powers by nationalizing their petroleum facilities as political moves.<sup>28</sup>

The place of its foreign policy goals in its hierarchy of desires has been made clear by the Libyan leadership. The amount of weaponry purchased, the amount of financial aid given, the amount of activity devoted to foreign affairs all suggest that the regime's most important goals are the foreign policy ones. This supposition is supported by the direct testimony of Mr. Kaddafi:

"Brothers, we cannot act as people did in the past when, on the pretext of domestic interests, they sought to evade national duty toward their nation. Brothers, we assure you that domestic problems will never affect our attitude toward Arab

reality and destiny and toward the enemies of Arabism."

As a caveat it should be noted that some evidence does exist to indicate that the Libyan fervor in foreign policy is not as great as the rhetoric may exist. First, there seems to be a concern with the importance of Libya in the Arab camp and an intention to advance that importance. Thus Kaddafi had complained long ago about the exclusion of Libya from the central planning councils of Arab strategy<sup>29</sup> and that was the reason given for the withholding of Libyan military support in the recent war. Second, much of the financial aid may be largely symbolic. The Economist reports that Libyan assistance did not go to the PLO central fund, and that money which was given to splinter organizations did not have maximum benefit because the Libyans caused currency difficulties over the transfer of contributions.<sup>30</sup>

In the area of domestic affairs the goal of minimizing dependence has to be seen as a significant one for the Libyan leadership. In the oil sector the regime has undertaken a series of significant actions to assert control, including the nationalization of the largest producers. One could question the relationship of those actions to the goal of minimizing dependence, given the political impetus to nationalize, were it not for the history of Libyan nationalizations in non-petroleum sectors of the economy. In 1971 and early 1972, the following actions had been taken: all minerals

have been declared state property,<sup>31</sup> road transport was nationalized,<sup>32</sup> National Supplies Corporation set up to control imports and marketing of essential commodities,<sup>33</sup> four insurance companies nationalized,<sup>34</sup> state owned construction company established,<sup>35</sup> all three oil distribution companies amalgamated into one,<sup>36</sup> establish General Agricultural Committee to run state owned land on a commercial basis,<sup>37</sup> create commission to control import and sale of agricultural machinery,<sup>38</sup> the medicine trade was nationalized,<sup>39</sup> a state tobacco authority created to control importation and quality of production,<sup>40</sup> the machinery companies were nationalized.<sup>41</sup> The record in this area is quite breath-taking.

The extensive record of Libyan nationalizations indicates that it probably is willing to forego private industry as a source of assistance in development and rely on the governmental budget. The reason for that decision is likely that the government has not generally been pressed for finances, due to the money-making power of petroleum and to the small Libyan population. The small population puts a natural limit on the capacity of the nation to adopt expensive development programs. Moreover, various bottlenecks make it impossible for the economy to absorb investment above a certain level.

Turning to the ways that Libya spends its money, a number of insights into their priorities can be seen. The relevant data on their relative expenditures are given in Table 1. It would appear that the breakdowns in the budget

can be classed into three groups according to the amount allocated. Four areas are allocated significantly more than the others, those being agriculture and agrarian reform, industry, transportation and communication and housing and utilities. Then there is a group of allocations indicating middling priority: petroleum, education, electricity and local administration. Then comes a set of low priority items: public health, labor and social affairs, information and culture, projects reserve, economy and tourism, and planning and management.

However, this does not accord with our breakdown of national goals in the first part, so we need to look more deeply into the problem. While the titles of the areas in the budget are sort of opaque concerning what they refer to in program terms, we can make some reasonable inferences. First of all, those goals which were classed under the humanitarian banner are relatively dispersed throughout the budget. If we sum up the categories housing and utilities, education, public health, and labor and social we see that at least 25.5% of the planned allocations and at least 31.0% of the 1972-3 budget allocations go to areas that are clearly humanitarian in their intent. In addition, that is likely to be a low estimate since some of the funds going to agrarian reform and local administration are likely to be intended to serve humanitarian purposes. So humanitarian goals are a significant part of the Libyan goal framework.

Table 1: Percentage breakdown of Libyan expenditures, by problem

	3 year plan	1972-3 budget
Industry	15.0%	13.1%
Agriculture & Agrarian Reform	14.2	14.4
Transportation & Communication	14.0	12.8
Housing & Utilities	10.9	14.1
Petroleum	10.6	8.6
Education	9.3	10.9
Electricity	8.8	8.7
Local Administration	8.5	8.2
Public Health	3.9	3.8
Labor & Social	1.4	2.2
Information & Culture	1.3	1.7
Projects Reserve	1.0	.2
Economy & Tourism	.7	.8
Planning & Management	<u>.4</u>	<u>.2</u>
Total	100.0	100.0

Another modification that might be made in the apparent relation of things would be the relationship of agriculture and industry. In the budget data they are very close in the amounts allocated. But a closer inspection of the planned projects in the industrial area indicate that agriculture is far more significant because many of the industrial projects actually are food processing projects and serve the purpose of making Libya agriculturally more independent. Thus of 29 industrial projects under contract in October of 1972, at least 8 were involved in the creation of food processing facilities.<sup>42</sup>

Another important aspect of the industrial development program of the Libyan regime is that its orientation is primarily toward small industries. Of the projects under contract in 1972, five involved the clothing industry.

Another thing about the industrial program is the concern with construction. Of the 29 projects, four were concerned with that industry. Also, combined with the emphasis on food processing and with clothing production, the construction material industry indicates that one of the main purposes of the industrial development of Libya has been to produce for domestic consumption and to not be too concerned with producing for export.

Agricultural strategy appears to be mainly related to two things. First, the agricultural part of the development budget is largely focused on four main regional development



projects: 1) the al-Jafara plain, 2) Jebel al-Akhdar, 3) al-Kufra and al-Sarir, 4) al-Shati, al-Ajal and Traghen. In addition, preliminary studies have been contracted for the improvement of 20,000 hectares of pasture land in Sitre region and for a climatic and hydrological surveys of 20,000 hectares in Wadi el-Ramel region.<sup>43</sup> Details of what is involved in these agricultural development projects are scarce, but for the Jebel al-Akhdar region the building of dams and reservoirs and an atomic powered desalination plant are intended to aid in the reclamation of land from the desert.<sup>44</sup> This suggests that the primary goal is to increase the amount of arable land. This suggestion is fortified by the actions of the Minister of Agriculture and Agrarian Reform, who called on Libyans who owned capital to invest in agricultural projects for the expressed reason of increasing the amount of area under cultivation.<sup>45</sup>

The second aspect of agricultural strategy also involved an increase in the territory under cultivation. Specifically, the land owned by Italians and Jews, much of which was apparently inactive, was expropriated and distributed to Libyan peasants.<sup>46</sup>

The regimes attitude toward the capitalization of agriculture is not entirely clear. Although a commission has been set up to control the import of agricultural machinery, it is not clear how that machinery is to be used, in view of

the fact that peasants are not discouraged from keeping down on the farm and that there is no apparent policy of creating rural cooperatives. A distinct possibility is that the General Agricultural Committee, alluded to earlier, will use the machinery on lands reclaimed from the desert.

Also in the agricultural sphere, the regime has been pursuing a diversification of produce through the creation of a fishing industry. It has set it up jointly with Tunisia.<sup>47</sup> Libya has built three ice factories and is in the process of building canning factories to supplement the fleet.<sup>48</sup>

In the petroleum sector the behavior of the Libyan regime has been erratic. It has made some policy moves toward increasing oil revenues but has also made some which went in the opposite direction. At least four times in the time period 1971-1972 the regime has demanded either an increase in the posted price and/or the tax rate on crude oil.<sup>49</sup> On the other hand, it has also required the petroleum companies to reduce production a number of times.<sup>50</sup> What this suggests is that so long as Libya is in good financial straits it chooses to conserve its petroleum reserves and maintain oil revenues through price and tax increases. One can surmise that if the situation changed and Libya became in a financial bind, the strategy would change and conservation of reserves would be jettisoned in favor of increasing revenue through increased production.

Also, Libya has not appeared too eager to get the full

cut of the oil profits through nationalization. Although seeking to exert control over the oil companies and to eventually take over full ownership, the Libyan government has only nationalized completely for blatantly political reasons. British Petroleum was nationalized in retaliation for Iran's take over of the Tums Islands. American concerns were nationalized this year because of American Middle East Policy.

A probable explanation for this fact is that the Libyan regime seems to have made a conscious choice to use the petroleum companies to accomplish tasks for them. Thus the companies were put under pressure at various times to invest in petroleum projects, especially exploratory drilling, but also to invest in agricultural, industrial and mining ventures.<sup>51</sup> The reason seems to be that the Libyan regime has decided that it needs the technical skills possessed by the oil companies more than it needs the increased revenues or satisfaction of owning the petroleum companies.

The final comment which needs to be made in reference to the petroleum sector is that the regime does seem to place some value on developing national control over the finished form of petroleum products and on having a share in the upstream facilities. They have plans for a gas complex at Benghazi and a methanol plant at Brega. They have also built a pipeline to a Sudanese steel mill<sup>52</sup> and have invested over \$48 million in a tanker fleet.<sup>53</sup> Thus a goal of the

regime seems to be to create an integrated petroleum industry in Libya.

Turning to the main areas of bottlenecks in development, infrastructure and manpower, there are what appear to be concerted efforts to overcome them. One of the single largest items in the development budget is for roads and another large project is in development of ports. The data do not allow a breakdown of these expenditures in terms of their relative impact on industry, agriculture or petroleum, although the allotments for ports is probably more industry and petroleum oriented. Nor do the data indicate if "enough" is being spent on these areas, although given the concentration of population and economic activity near the coast it is probable that supplying the country with adequate roads is an easier task than in a country where things are more spread out.

In manpower, the regime is pursuing a number of approaches. In order to meet their immediate needs they have adopted three techniques. The most important has been to seek the assistance of foreign technicians, with a variant of seeking to hire foreign technicians (from Kuwait and Malta). The second most important has been to seek to keep technicians associated with private enterprise in the country. The third and most imaginative, and also least frequent, is exemplified by the deal with a British company in which the company and the government would both put up capital for a petrochemical complex with the British

firm helping to operate and market the finished product.<sup>54</sup> There is only one case of long-term needs being met through training of Libyans by foreign technicians so in that respect the manpower orientation of the regime is very much short-run. On the other hand, they also have long-run concerns, and the importance of these are reflected in the education budget. By far the most important part of the education budget is allocated to elementary schools. The next largest part is in the Libyan University. But since the university is very much oriented toward the practical aspects of life rather than the liberal arts, the university allocation can be considered as a vocational training allocation. All this suggests that the manpower goals of the regime are to tread water on short-term needs, to develop a large pool of literate citizens and to funnel them as quickly as possible into skilled occupations through vocational training.

In the area of financing development, the preferences of the regime are fairly clear. They prefer to finance projects through internally generated funds. Where that is inadequate they prefer to increase taxes, mostly on the petroleum companies but not totally. The traditional Islamic wealth tax was reimposed<sup>55</sup> and pressure was brought to bear on persons to make voluntary contributions to development projects.<sup>56</sup> In line with their phobia against dependence on external entities, the regime did not resort to financing any projects through long-term loans or through foreign aid. It dealt predominantly in

cash, using barter arrangements only once, and then due to a pinch created by the decrease in sales due to the British Petroleum conflict. In terms of long-range financial goals there seems to be no interest in investment in projects in other countries, the only move made in that direction being some investments in Malta which were more foreign aid than economic decision.

### Saudi Arabia's Goals

Of the five countries treated in this paper, Saudi Arabia is the only one whose leadership does not claim to be involved in a revolution. Saudi Arabia is referred to as a conservative nation by its friends and as a reactionary one by its enemies. Its goals are appropriate to a nation so perceived.

Saudi Arabia's two main goals are to preserve a balanced budget and to achieve a pair of foreign policy goals. The foreign policy goals are to aid the Arab states bordering Israel and to maintain influence over events in the Persian Gulf. Support for this assertion is found in Saudi behavior during a financial crisis following the 1967 Arab-Israeli war. Saudi Arabia committed itself to providing massive assistance to the Arab states on the front line. This aid came out of the General Reserve Fund that had been built up through cautious spending policies. At the same time a conflict developed with the Syrians over the Trans-Arabian Pipeline (Tapline) and no oil could be pumped. Therefore, the General Reserve Fund could not be supplemented with new funds and quickly eroded. By 1969 the Fund was exhausted, and the government decision was to cut back on allocations for development projects, continue in defense development, meet its foreign aid obligations and impose some new taxes, but not to go into debt.<sup>57</sup>

Budget data also support this assertion of priorities.<sup>58</sup>

Allocations for agencies of the government interested in security (Ministry of Defense, National Guard, Ministry of Internal Affairs, and General Intelligence) have consistently gobbled up over 30% of the budget and in most years have gobbled up more than 40%.<sup>59</sup>

The next two most favored goals are indicative of the development strategy of the Saudi Arabian regime. The strategy seems to be to build up the national infrastructure so that an environment for modern industry and agriculture to flourish exists, but not to directly build up those sectors to any great degree. Thus the second most heavily budgeted sector of the economy is the communications sector, which receives over 10% of the budget. The lion's share of the communications budget goes to road building. In 1971 (1390-1391) there were a total of 1,286 kilometers of road under construction and an additional 5,788 were in the planning stage.<sup>60</sup>

The next highest allocation has gone to the education ministry, ranging over the last four years between 6.5%-10.7% of the budget and increasing in the last two years. The stated purpose of high educational expenditures is to provide needed manpower for future development. Most of the educational expenditure appears to go into primary and secondary education. The government has also instituted an anti-illiteracy program to be implemented over a twenty year period.<sup>61</sup>

A major change in the budgeting behavior of the Saudi Government that may be significant is the rapid increase



In the amount budgeted for the General Investment Fund and Petroleum Participation, from an insignificant amount in previous years to 11.2% in the most recent budget. What this probably indicates is a rise in the importance of national control of the petroleum sector, although the functional breakdown of that allocation is not available.

Next in the list of priorities of the government is another infrastructural area. That is the improvement of the cities. The municipal affairs agency has received between 4.9 and 8.5% of the budget over the last four years. These funds are employed mostly to establish sewer systems, pave streets, provide streetlights and sidewalks and build markets and slaughter houses. Another aspect of the improvement of municipalities is provision of water. This is also well budgeted, taking up 37% of the allocation of the ministry of agriculture and water in a year when that ministry received 5.4% of the national budget.

Two goals which do not constitute major goals of the government are the rapid development of the agricultural sector and rapid industrialization. The allocations in the budget for agricultural development do not constitute a large portion of the budget. The stated strategy of the regime in agriculture is to increase the amount of arable land through irrigation, then to distribute fallow land to peasants and bedouins. Three things are hoped for from this strategy:

first, to increase the amount of available food; second, to reduce imports;<sup>62</sup> third, to integrate the bedouins into the society better.<sup>63</sup> But despite the fact that slightly over 1/3 of all Saudi imports are foodstuffs,<sup>64</sup> very little has been done for agriculture. Only 2% of imports are tractors or agricultural machinery.<sup>65</sup> Only one dam has been built and only three other irrigation projects have been begun.<sup>66</sup>

Saudi industrial strategy has been to build industrial estates with the complete infrastructure for plant development. So far three have been built.<sup>67</sup>

In these, private investment will occur. Government avoids direct investment in industry. Of 240 industrial establishments at most 47 have government financing. Of the total capital in these projects only 9% has been put up by the government, and most of that has been for plants producing construction and building material.<sup>68</sup> The ministry of commerce and industry has less than 1% of the budget allotted to it.

Because of its lack of concern for quick development the Saudi government is not faced with the major bottlenecks as much as is the case with more revolutionary regimes. Manpower for industry is a problem for private industry. Its only pinch is in teaching, and to solve that it both trains teachers and it hires an extensive number of Egyptian teachers.<sup>69</sup>

Because of its tremendous oil revenues Saudi Arabia is under no special restraints due to financial bottlenecks. In-

deed, Faisal let it be known that he would not be upset to reduce oil sales to the United States since present revenues are more than the economy can presently absorb in development expenditures.

Finally, in line with the conservative nature of the regime, it spends a great deal on religious matters each year, including allocations for mosque maintenance, religious affairs, public morality in Najd and Hijaz, and for provision of water and road facilities for pilgrims to the holy cities.

Table 2: Percentage distribution of Saudi Arabian budgetary allocations over a four year period.\*\*\*

	<u>1390/ 1391</u>	<u>1391/ 1392</u>	<u>1392/ 1393</u>	<u>1393/ 1394</u>
Private Treasury	2.6	1.6	1.3	.8
Royal Cabinets	.3	.2	.2	.2
Presidency of the Council of Ministers	.2	.2	.2	.1
National Guard	4.3	3.2	3.1	2.8
Intelligence	.3	.4	.2	.3
Public Works Department	.2	.1	.3	.4
Ministry of Information	1.2	1.1	1.3	1.1
Ministry of Foreign Affairs	.9	.7	.8	.7
Ministry of Defense and Aviation	28.5	21.8	26.9	23.7
Ministry of Interior	4.9	6.0	7.4	5.7
Municipal Affairs	12.6	12.8	6.7	8.5
Ministry of Labour and Social Affairs	1.6	1.4	1.3	1.0
Ministry of Health	2.7	2.6	3.2	2.6
Ministry of Education	6.6	6.7	10.7	8.6
Ministry of Communication: Roads and Ports	7.5	17.6	8.1	7.9
Ministry of Communication: Posts and Telegraphs	2.2	3.5	2.7	2.0
Ministry of Finance and National Economy	3.8	4.9	5.9	5.9
Ministry of Petroleum and Mineral Resources	.9	1.0	.9	.8
Ministry of Commerce and Industry	.4	.5	.5	.4

Table 2 (cont)

	<u>1390/ 1391</u>	<u>1391/ 1392</u>	<u>1392/ 1393</u>	<u>1393/ 1394</u>
Ministry of Agriculture and Water Resources	4.8	5.4	5.4	4.5
Ministry of Justice	.6	.6	.5	.4
Public Allocations and Subsidies	.8	.5	.4	.2
Pension and Social Insurance	1.2	1.5	1.3	1.3
Subsidy for Public Corporations	2.7	2.5	2.5	1.9
Emergency Expenditure	.9	.6	.5	.9
Islamic Affairs	.3	.2	.4	.2
Aid to Arab Countries	6.1	6.1	5.0	2.9
General Reserves	---	2.3	2.3	2.0
General Investment Fund and Petroleum Participation	---	<u>3.2</u>	<u>1.9</u>	<u>11.2</u>
Total Expenditure in Thousands of Saudi Riyals	6380	10782	13200	22810

\* Sources: "Saudi Arabian Budget for 1973/1974" and Jidda A-90

\*\* Data are aggregated by Ministry where more detailed data were available. Expenditures which never accounted for more than .1 of the budget were ignored.

\*\*\* 1970/1971

### Iraq's Goals

An examination of Iraq's goals over the past couple of years presents an interesting challenge to the American analyst. On the one hand, the problem area is data-poor. The United States and Iraq do not have diplomatic relations so there are no analyses by American governmental experts to draw on as there are for other nations. Nor are there adequate budget data available. Second, within the past couple of years Iraq was engaged in a monumental clash with the petroleum companies operating within its borders, and that clash had the consequences of distorting the actions taken by the government. On the other hand the choices made in a crisis may be instructive.

The foreign policy goals of the Iraqi regime seem to be the most important goals to them. Of the foreign policy goals, the most significant seems to be the return to the Arab states of the lands taken by the Israelis in previous wars. Thus Al-Bakr has declared: "Citizens, the revolution has defined its position regarding international relations on principled bases, the first of which is the attitude toward the legitimate Arab causes of liberation, unity and progress--foremost of which is the Palestinian cause."<sup>70</sup> Other foreign policy goals of some importance to the regime are the unification of the Arab states and the elimination of monarchies in the Middle East.

Iraqi actions provide some support for this assertion

of the importance of goals. Iraq sent troops to assist in the conflict with Israel during the war of 1973. It has allocated a giant (25%) chunk of its budget for military purposes. This money has been employed to put the heat on two traditional regimes on Iraq's borders: Iran and Kuwait. The conflict with Iran has apparently involved some serious border clashes. And in addition to its defense activities, the recipients being Abu Dhabi, Somalia, and the Arab Fund for Economic and Social Development.<sup>71</sup>

The second most important goal of the Iraqi regime has been the development of petroleum sector under Iraqi control. The regime has made extensive investments in upstream capabilities under the control of the Iraqi National Oil Company (INOC). For example, it has contracted in the 1971-72 period to spend nearly \$169 million to develop a tanker fleet, not counting the cost of leasing Russian tankers, which is part of their plan.<sup>72</sup> They have also begun work on two refineries<sup>73</sup> and on a petrochemical complex.<sup>74</sup> And they have paid a great deal of attention to the development of the North Rumaila field, INOC's primary deposit.

Particularly indicative of the signal importance of the goal of exerting national control over the petroleum industry are the actions of the regime in the crisis following the nationalization of the IPC. Whereas all other programs of the government were slashed in an attempt to save foreign exchange reserves, the budget of the Iraqi National Oil Company was

untouched.

The third most important goal of the regime has been exerting control of the regime over foreign petroleum operations. Actions taken in this area include pressuring the French company ELF-ERAP to give up 65% of its concession area, demanding 20% participation and seats on the board of directors of the foreign oil companies operating in Iraq.<sup>75</sup>

A goal of perhaps equal or even greater importance to the regime is agricultural development. Agriculture was the third largest item in the budget, \$213 million, which was 11.8% of total expenditures. It is not at all clear how this money is spent and thus what Iraqi agricultural strategy is. There is some action in the irrigation area and there have been efforts to create a fishing industry, including creation of a fleet and the building of a port at Umm Qasr. But both these were financed by foreign aid, as far as the examples in public sources indicate.<sup>76</sup> Another aspect of agricultural development is the selective treatment of the Kurdish areas of Iraq. In the period examined the civil war between Iraq and the Kurds had just been ended. In January of 1971 the government allocated money for such agricultural projects in the north as poultry breeding, beekeeping, fishing, fruit refrigeration and tobacco cultivation.<sup>77</sup> Whether this was part of the agricultural budget is not known.

Industrialization does not appear to be an important goal to the Iraqi leadership. My data indicates no major heavy in-



dustrial projects contracted for the period. The regime did allocate \$182 million to industrialization, that being the fourth largest allocation in the budget at just over 10% of total allocations. In addition to it being not a particularly large amount spent, that allocation may include money for projects associated with the petroleum industry. Among the smaller industrial projects begun are some that are closely oriented toward the agricultural sector (tobacco factory, sugar beet refinery). Some appear to be primarily intended to help pacify the Kurds.<sup>78</sup>

The Iraqi regime appears to have as a goal the development of the mining sector. It has negotiated deals to sell sulphur, exploit phosphate deposits and to locate deposits of zinc, iron, lead, and radioactive elements.<sup>79</sup> The main goals of this interest in minerals are probably to diversify Iraqi exports so as to lessen its dependence on oil, and to increase exports in order to increase government foreign-exchange revenue.

As the budgetary data indicates, Iraq spends a considerable portion of its money on education, 12.6%. Part of the regime's educational strategy is the elimination of illiteracy. The anti-illiteracy campaign includes the establishment of 650 literacy centers at a cost of \$70.25 million and the requirement that no illiterate may hold official or semi-official employment unless he or she attends an anti-illiteracy center.<sup>80</sup>

In the manpower realm the Iraqi regime has apparently

adopted long-range strategies for meeting its needs. Partly it is able to do this because it does not have as a goal the quick transformation to an industrial nation. Partly it is due to Soviet cooperation in the development of Iraq's greatest oil deposit. The long-range strategy is indicated by the fact that many agreements made by the government with other countries concern Iraqi's going to those countries for training.<sup>81</sup>

Development of the infrastructure was not a very important goal for the Iraqi leadership. Expenditures constituted only 4.3% of the total. The major projects in this area were a canal from Tharthar to the Euphrates River and railroad expansion through purchase of diesel engines and cars.

Financial approaches of the regime were terribly distorted in this time period due to the IPC nationalization battle. The main strategy of the regime appears to be to increase its oil revenues. Indeed, it was pursuit of this goal that touched off the IPC conflict, for the regime had been attempting to get the company to increase its production when it became apparent to them that the company had been bargaining in bad faith.<sup>83</sup> In addition to pressuring the private oil firms to increase production, the regime also sought new markets for oil, negotiating sales with Brazil and Bulgaria.<sup>85</sup> Finally, in order to increase oil revenues the regime sought to increase the tax rate on petroleum.<sup>86</sup>

Another aspect of Iraqi finance during the period that may have had long-term import was the extensive use of

foreign aid.<sup>87</sup> Basically this was a reflection of shifting foreign policy alignments towards the Communist bloc and foreign aid would have been a revenue source in any case. But the IPC battle undoubtedly accelerated the process. As a result, Iraq was heavily dependent on foreign aid in this period. A similar sort of process probably explains the Iraqi dependence on long-term foreign loans in the period, although taking out loans is probably an integral part of Iraqi financial strategy.

Minor aspects of Iraqi strategy include the promotion of tourism (a delegation was sent around the Persian Gulf states in 1971 for this purpose),<sup>88</sup> investment in other nations (joint control of a refinery in India)<sup>87</sup> and promotion of foreign investment by friendly nations in Iraq (Yugoslav participation in joint electrical and petrochemical projects, request for Arab investment).<sup>90</sup>

Table 3: Percentage breakdown of Iraqi budgetary expenditures  
1968-1972

	1968	1969	1970	1971	1972
Defense	38%	43%	35%	29%	25%
Agriculture	n.a.	n.a.	n.a.	n.a.	n.a.
Education	17	15	14	12	13
Health	4	3	3	3	3
Other	22	21	21	20	18
Agriculture Capital	4	5	6	11	12
Industry Capital	6	5	6	9	10
Transportation and Communication Capital	3	3	3	5	5
Other Capital	6	5	10	11	14
Total Expenditure in Millions of Dinars	306	371	435	563	589

### Iran's Goals

Iran is an interesting case for the study of national goals. It is a monarchy which professes to have a revolutionary program. It has managed a phenomenal growth rate and has also emerged as one of the leading military powers in the Middle East and Western Asia. As an oil producer and an intended policeman of the Persian Gulf region, Iran's goals warrant the attention of American policy-makers.

In terms of immediate problems the most important goals to the Iranian leadership appear to be foreign policy goals. Iran finds itself in a precarious position. It has traditionally been pro-Western in its foreign policy, although only hostile to the U.S.S.R. when that country was less than friendly. It is now bordered half way around its perimeter by nations which are either openly hostile (Iraq, because of antimonarchical ideology, Afghanistan for similar reasons) or suspect (the USSR because of historical aggressive intentions and because of its alliance with Iraq). Across the Persian Gulf are Arab states, some conservative (Saudi Arabia, Kuwait) some revolutionary (PDRY). None are overly friendly, due to the non-Arabian nature of Iran, its failure to support the Arabs against Israel, competition in the oil market and Iran's independent approach to dealing with the petroleum companies. Iran's only sure ally is Pakistan, and it has shown itself as frighteningly weak militarily. There is no Western policeman in the gulf region since the British pull out and the Soviet navy has a

significant presence in the Indian Ocean nearby. These conditions prompted the Economist to refer to the Iranian situation as "The Encircled Shah" and attribute that perception to him.<sup>128</sup>

The potential impact of foreign affairs on Iran's future is thus very great. Political instability in the Gulf would not only threaten the closing of the Gulf, shutting off oil exports and thus crippling the economy, but could also threaten the continued existence of the regime. Therefore, the Shah has instituted a program of military development that involves the purchase of the most sophisticated equipment on the market. The military program has taken a significant bite out of the budget (26% of the general budget, about 10% of the total budget). Aside from communication and telecommunications the military expenditures has been the fastest growing segment of the general budget since 1968 and has been the fastest growing in absolute increase.

In addition to the military development, the Shah has engaged in wide-ranging personal bilateral diplomacy seeking new friends and the moderation of the Soviet Union.

The second most important goal of the regime has been economic development. Their strategy in pursuing industrialization has been to invest public funds in heavy industries and in building up the infrastructure and to allow and even encourage the participation of private enterprise in the economy. According to the information and Press Department

of the Ministry of Foreign Affairs:

"Iran's spectacular economic growth over the past eight years, which shows no sign of letting up, is largely the result of two factors: far-sighted government policies which have created the necessary physical infrastructure and business confidence, on the one hand, and an active, relatively unfettered class of businessmen and industrialists, on the other. The relationship between the public and private sectors in Iran is an unusually amicable one, with the government responsible for heavy and basic industries and setting overall guidelines; and free enterprise, both domestic and foreign, hard at work in most spheres of economic activity."<sup>129</sup>

Iranian projects in the area of heavy industry include the Aryamehr steel mill near Esfahan, a heavy machinery plant at Arak, an aluminum smelter at Arak, a tractor factory at Tabriz and a machine tool factory at the same place. Private investment activity in Iran in the period 1967-1971 resulted in the creation of 500 factories in such areas as rubber, paper, cement, glass, electrical goods, textiles, food processing, and others.<sup>130</sup>

Iran has declared there to be three main purposes in its industrialization drive: self-sufficiency in consumer goods, production of capital goods and production of industrial goods for export.<sup>131</sup> In order to encourage private investment the government has offered what it calls "generous tax holidays, bonuses and other incentives."<sup>132</sup> As an additional encouragement to private enterprise the government has avoided nationalization actions against private enterprise outside the petroleum sector, and its recent actions there were quite moderate compared to those of the other Arab nations.<sup>133</sup>

Another aspect of economic development to which the Iranian leadership has devoted considerable attention is agriculture. Iranian strategy in agriculture has been to move to modern methods of farming. This has been carried out in a number of ways. The amount of land under cultivation has been increased through an extensive program of dam-building and subsequent irrigation of the land. So far, 611,000 hectares of land have been brought under irrigation as a result of the building of seven dams, an additional 84,000 hectares will be irrigated as a result of two dams under construction and 185,000 more will be as a result of four dams in the planning stage.<sup>134</sup>

In order to shift the agricultural sector to a large basis, three steps have been taken. First, farmers cooperatives have been created. So far there are close to 8,000 cooperatives organized into cooperative federations. There are facilities available to grant credits to the cooperatives.



A second approach has been to create government-owned farming corporations. There are 27 such entities which farm over 105,000 hectares of land. The third way that large scale agriculture is sought is through the encouragement by the government of the establishment of agri-business by private corporations.

Both industrialization and agricultural development have been promoted through rather extensive governmental programs of infrastructural creation. Except for defense the expenditures of the government on Communications and Telecommunications is the largest single item in the general budget, constituting 12.8% of the total. The lion's share of this appears to go into road and railroad construction, both major paved highways between industrial and commercial centers and feeders roads for agricultural use. In addition the government allocates a significant amount (4.2% of the general budget) for electrical supply, an allocation which appears to be independent of the expenditures involved in establishing generating facilities in the major dams.<sup>136</sup>

The placement of economic development as the second most important goal of the regime is at least debatable because the regime also allocates a great deal of resources to the humanitarian goals that it pursues. The second highest non-military item in the budget is education, at 10% of the general budget. And 10.7% of the budget is allocated to other aspects of social affairs.

But it is plausible to argue that this emphasis on social needs is partly illusory. The government places great emphasis on education partly because of the perceived importance of education to economic development. Thus expenditures on education are somewhat like expenditures on development. Furthermore, the government is making great efforts to reorient education at the secondary level away from "theoretical secondary education"<sup>137</sup> toward vocational and technical education. And at the level of higher education there is an explicit intention of producing persons with the skills to fill highly specialized manpower needs in the economy.<sup>138</sup>

Despite this caveat the commitment of the regime to the attainment of humanitarian ends appears to be quite significant. The two areas of greatest concern seem to be the health area and social insurance. The construction of hospital facilities and urban clinics have been the main thrust of the government health care program. The social insurance program covers over 800,000 workers.<sup>139</sup> Additional programs under the social activities area include such things as sewerage, water facilities, fire-fighting, home loans, village electrification, rural road work and provision of recreational facilities.

The government does not seem to place too high a value on provision of consumer goods to the public, as evidenced by their emphasis on industry with export potential (the 1970's have been proclaimed the "Export Promotion Decade") and by the government's use of importing consumer goods as an anti-infla-

tion weapon rather than as a means of promoting public welfare.

The petroleum sector is a major concern of the government. As the Economist<sup>140</sup> has observed

"... the Iranians reckon that they have 25 years' grace before their oil reserves run out or are superceded by new forms of energy. By then Iran has got to be well established as an exporter of 'sophisticated industrial machinery' as the Prime Minister, Mr. Hoveyda, puts it."

What this means is that Iran has to wring out of the petroleum sector what it can while it can. Their approach has been to attempt to maximize the amount of petroleum exported and the price of that which is exported. In order to increase the amount of petroleum exported the regime has attempted to keep the private companies of the oil consortium involved in the extraction of crude oil by not participating in the participation deal worked out by Mr. Yamani of Saudi Arabia. Rather, it attempted to get the oil companies to increase the amount of petroleum they could pump. In addition, the regime has invested heavily in upstream capacity in order to increase the flow of crude oil. It has initiated a project to build a pipeline from the oil fields of southern Iran to the Turkish port of Iskanderun in order to circumvent the problem of getting oil to Europe when the Suez Canal is closed.<sup>141</sup> It has created a number of new ports (notably at Bushehr and at Bandar Abbas) and has created new facilities for loading tankers off-shore

In the Persian Gulf.<sup>142</sup>

Actions to increase the cost of petroleum include actions to increase the posted price and the tax rate on oil produced by consortium companies and to increase the price of oil sold by NOIC.

In regards to the two main bottlenecks in the Iranian development program, manpower and finances, the government handles them fairly well with one policy, that of encouraging private investment. By doing that it uses the financial and manpower resources of private enterprise to free indigenous manpower and money for other purposes.

Other aspects of Iran's financial strategy warrant attention. It's primary source of funds has been and is increasingly the sale of petroleum. But that is not the only or the most desired source of Iranian finances. Two other sources are intended to be the main ones in the future. One is the export of manufactured goods. Indeed, Iran has been very emphatic in its insistence that industry which is set up in Iran have export potential. The other financial strategy is for NIOC to invest in profit-making oil ventures in other nations. For example, it is a partner of British Petroleum in Exploration of the North Sea for oil deposits. It has a minority interest in small refineries in Madras and in South Africa<sup>143</sup> and is negotiating with Belgian and Greek authorities for the creation of jointly owned refineries in those countries.

Iran has also extensively used long-term loans to finance development projects, so much so that over 4% of foreign exchange payments are now for interest on long-term foreign loans and credit. Foreign assistance has also been drawn upon in industrialization, most of it coming from the nations of the Communist bloc. Nor has the regime been loath to turn to bartering arrangements, the most notable being the repayment of Soviets for the Aryamehr steel mill with natural gas. But neither foreign aid nor bartering appear to be main elements in Iranian financial strategy.

The one goal which is not highly valued by the Iranian regime is the minimization of dependence. That is indicated by the efforts to induce private investment and by the intention to make Iran an exporter, in distinction to making Iran self-sufficient.

### Algeria's Goals

Algerian Ideology proclaims itself as revolutionary. But Algeria could reasonably be called "The Quiet Revolutionary," for its emphasis under the Boumediene regime has been primarily to pursue internal economic development through massive industrialization. Because of this inward orientation its actions in foreign policy have been relatively unspectacular, its major substantive preoccupation being the forging of a trade policy to complement domestic efforts at industrialization.

The fountainhead of Algerian goals seems to be a desire to achieve certain humanitarian goals related to the income level of Algerian citizens. Mr. Boumedienne states that "our national wealth must be exploited at home so that the Algerian citizen may profit from it."<sup>91</sup> A State Department officer in Algeria buttresses this conclusion.

A leading goal (of the second four year plan) is the elimination of unemployment of 1980 so that each head of family is adequately employed. The government would hope to strongly diminish underemployment and to eliminate unemployment. The second objective would be to raise the income earnings of each family to wipe out malnutrition and to redistribute per capita national income."<sup>92</sup>

The way in which the government means to reach this objective is unmistakably clear. It means to do so through an intensive

program of industrial development. Indeed, all the goals of the regime seem to be centered around the goal of industrialization. Consider Boumediene's assertion concerning agrarian change: "True agricultural development does not precede industry but proceeds from industry."<sup>93</sup> He provides us with a more detailed argument as to why this is so, and at the same time relates extractive sectors to industrialization.

The mineral ore of the Ouenza, for example, must be transformed into steel in our factories, and it is this steel which will enable us to manufacture the tractors necessary for the evolution of our agriculture ... in the same way, the manufacture of large quantities of fertilizer is a prerequisite for the development of the agricultural world and, consequently, for raising the living standard of the Algerian farmer. This necessitates the processing of derivatives of petroleum and gas achieved at Arzew and the handling of phosphates from Djebel Onk realized at Annaba.<sup>94</sup>

Analysis of the Algerian budget reveals significant data on the regime's goal structure. The budget is divided into three sections: administrative, investment, and public corporation, the last two constituting the development budget. Table 4 shows the percentage breakdown of the investment and public corporation budgets going to various areas

of government activity. The 46.4% going to industry indicates unquestionably the primacy of industrialization as a national goal. Agricultural development comes in a distant second. Education's rating is deceptively low because most of the funds spent on education are allocated in the administrative budget. In fact, education is on a par with agriculture in terms of total spending.

The structure of the budget, with three concerns getting so much and the other concerns getting relatively so little indicates that the regime has been extremely tough-minded in its pursuit of development. It has focused on meeting needs which it believes to be prerequisites of further development and has been austere with other needs.

A more detailed examination of the Algerian industrialization program is worthwhile. The budget allocation for industry includes money spent on petroleum and mining. A considerable amount of the industrial budget is going to petroleum facilities. Some of the projects under way in the petroleum area are 1) two refineries, one recently completed at Arzew, one tendered for Skidda. This will bring to four the number of Algerian petroleum refineries.<sup>95</sup> 2) Petrochemical complex at Skidda, costing \$93 million.<sup>96</sup> This will be the third Algerian petrochemical plant.<sup>97</sup> 3) A methanol and synthetic resin factory at Arzew.<sup>98</sup> In addition, expansion on already existing facilities is underway. Major gas projects include the expansion of the Arzew LNG plant, completion of the Skidda



LNG plant, a new LNG plant at Arzew. In addition two more LNG plants are in the planning stage. Programs have also built pipeline facilities from the gas fields to the LNG plants, and other supplementary programs.<sup>99</sup>

The industrial budget also includes allocations for the mining sector. Although there was some activity in that sector (quadrupling the capacity of El-Abed lead-Zinc mine,<sup>100</sup> increasing extraction from Ouenze mines) it does not appear to have been highly invested in.

The amount spent on industrialization not related to petroleum is still extensive. Major projects include a factory to make electrical equipment (at a cost of \$720 million)<sup>101</sup> an auto plant costing \$138.78 million,<sup>102</sup> a \$73.47 million machine plant,<sup>103</sup> an \$80.3 million cement plant,<sup>104</sup> a major expansion of the El Hadjar steel complex at Annabe,<sup>105</sup> and others.

The industrialization program seems to have favored heavy, primary industries and to have slighted smaller industries producing consumer goods.

In the agricultural sector the strategy seems to be fairly mixed. On the one hand, there has been a thrust toward the humanitarian idea of land redistribution. Thus on separate occasions the state distributed its land to peasants and abolished large estates by legally limiting their size and giving excess land to the peasants.<sup>106</sup> On the other hand there has been the impulse towards doing agriculture on a large scale.

Boumedine has stated:

To carry through the agrarian revolution successfully it is nonetheless indispensable to advance from the traditional methods of cultivation inherited from colonialism and jump right into the era of modern exploitation, having recourse, inter alia, to mechanization and the building of dams.<sup>107</sup>

Thus a considerable amount is being spent on irrigation projects and on the mechanization of agriculture. The way that the regime handles large scale agriculture on small scale units is to "encourage" the establishment of cooperatives run in relatively decentralized fashion by the residents. Expenditures on agrarian reform constitute a package deal. Whole regions are allocated a block sum of money and a cooperative organization is set up simultaneously. The money goes for such obvious needs as equipment, but also goes for drinking water projects, schools, hospitals, houses and new factories. The amount of money allocated to such regional development programs is substantial. For example, \$115.2 million was given to the Saïda region for its program.<sup>108</sup>

Another aspect of the agrarian program has been its change in crop production. Algeria was faced with a surplus of wine and thus vineyards. Therefore, the government instituted a program of tearing down the vineyards and replacing them with

wheat fields.<sup>109</sup> Also, it set up new factories: one to create surplus wine to cognac, another to convert surplus barley to scotch.<sup>110</sup> In addition, it has spent some money on fishing equipment and fish processing plants.<sup>111</sup>

The massive investment of the regime in heavy industry and agriculture has exacted some severe costs. One is a lack of light consumer-oriented industry. In addition, in order to preserve its foreign exchange reserves and maintain its credit rating the regime was very austere in its import program. Consumer goods were quite scarce, as a result. That was a conscious choice of the regime. Another cost paid was a severe underallocation to the maintenance of some of the infra-structure. Very little was spent on development of transportation facilities, the decision being to depend on the facilities left over from the colonial period. Also, there was not enough spent on housing, so that now there is a minor crisis in that area. Finally, the supply of power facilities has apparently been limited to the heavily industrialized urban areas so that there is that additional discontinuity in the economy.<sup>112</sup>

Algeria has pursued interesting policies in order to resolve the problems created by manpower and financial bottlenecks in the economy. On the manpower front the decision was made to rely on external sources of technical and management expertise in the short-run while depending on education to solve the problem in the long-run.<sup>113</sup>

The decision to rely on external sources for short-run

manpower needs dovetails nicely with financial policy. Essentially, that policy seems to be to get financial help from whatever sources there are, with one caveat considered later. The government borrowed extensively in the world market from both private financial sources and from other governments.<sup>114</sup> It also received extensive help in the form of foreign aid and technical assistance.<sup>115</sup> It imposed a very heavy direct income tax on the citizens, exempting those with small incomes and those who were small landowners (thus helping the goal of income equalization).<sup>116</sup> There was also a value-added tax, which was dropped to a large extent in the 1972 budget.<sup>117</sup> There was an effort to have the public donate money to the agricultural revolution fund.<sup>118</sup> The government also raised money through the export of industrial goods other than crude oil.

In letting contracts for industrial projects the government had as one of its criteria that one company be brought in to take care of the whole job and that it also provide training and initial management services.<sup>119</sup> By adopting this strategy, the regime is able to advance two goals simultaneously. First, it meets manpower needs by guaranteeing short run management and training for the long-run. Second, it helps meet the goal of exercising control over the economy because a project is easier to supervise when it is in the hands of one firm.

Of course, the major source of revenue is the various aspects of the petroleum industry. Algerian actions consistently were intended to increase the amount of revenue generated by

this sector. It nationalized the French oil company Elf-Erap, through a 51% take over. And SONATRACH, the public petroleum corporation, took over 51% of 5 gas treatment plants. But the main ways of increasing petroleum revenues were others. First, there were extensive efforts to increase the amount of petroleum sold. The most obvious were the investments in the LNG plants. There were also some significant efforts in the area of extending upstream facilities: pipelines and pumping stations especially. Another aspect of more sales is new markets. Here Algeria has made extensive efforts, especially in getting new gas customers. A final aspect of increased sales is increased reserves. Algeria has made this an important goal and invested many resources in an extensive but fruitless search for new deposits. A change in strategy saw it inviting help from private companies in the exploration for new deposits, offering guaranteed supplies from what is found.

Algeria also sought to increase petroleum revenues through increased taxes, an action that prompted the conflict that led to the Elf-Erap take over. Since most petroleum activity is through SONATRACH this was a secondary strategy. An increase in the price of petroleum was also a goal of the regime.

Two other areas remain to be discussed. First, the goals of minimizing dependence on external entities, then foreign policy goals. The goal of minimizing dependence has been a significant one for the regime, but probably not the foremost one. Two sets of government actions serve to foster this goal.

One, the government has taken control of various sectors of the economy. This weakens the influence of external sources. Second, the government has produced some economic development, which tends to reduce dependence on imports for fundamental economic needs. However, both these sets of actions were probably motivated by other desires. Economic development was wanted mostly because it would help fulfill the needs of the people. Reduction of imports is necessary for development because it conserves foreign exchange reserves and buttresses the credit rating of the country. Government control of enterprises is necessary for development because otherwise there will be no guarantee that all due haste will be made in making investments and because government control produces additional revenues for government use.

Algeria appears to have two main foreign policy goals. These are the unification of the Arab Maghreb and the reorientation of its foreign trade patterns. In addition, it has a set of goals to which it gives a verbal allegiance but apparently little more.

The unification of the Arab Maghreb has not been a particularly significant goal in Algerian rhetoric. The main statement of it came in Boumediene's address to the nation in the 10th anniversary of independence.<sup>120</sup> But a number of actions have been initiated which are conducive to that unification. It has invested \$12 million in a project to build a cement factory jointly owned and operated in Morocco, at Oujda.<sup>121</sup> A Moroccan-

Algerian Chamber of Commerce was set up in Algiers.<sup>122</sup> And Algeria and Morocco have agreed to jointly exploit the Gara Djebibet mineral deposits, and to enlist Tunisian help in that project in the future.<sup>123</sup>

Algerian trade policy is motivated by a desire to diversity its trading partners by increasing its trade with its Maghreb neighbors, the third world and with the socialist nations.<sup>124</sup> It also wants to increase its trade with the EEC nations. Stimuli for these desires are two fold. First, trade focused on one country or one region makes one susceptible to being hurt in a conflict. Thus in the Elf-Erap battle France cut off imports of Algerian wine and severely hurt her economy. Second, by increasing her trade in all directions, Algeria will increase its export earnings thereby bolstering her development potential.

In order to alter her trade patterns, Algeria has made two important changes in policy in 1973. It eliminated tariff preferences given to EEC countries and extended "most favored nation" treatment to all nations except its immediate neighbors with whom it has special trade arrangements.<sup>125</sup> Algeria also gives verbal support to the Arab side in the Arab-Israeli conflict and has given some financial assistance to the PLO. It gives verbal support to the arguments of the poor countries in their efforts to wring more assistance from the developed countries, but it has given only a small amount of aid itself. It has invested very little in foreign policy pursuits, indicated

by a small diplomatic service and a small military force.

1973 is the last year of the present four year plan and although the next plan has not been published yet reports indicate that there may be some significant changes in governmental priorities. These are first a decrease in emphasis on heavy industry.<sup>126</sup> The reason for this change is the meeting of heavy industrial needs in the previous plan periods and the development of other pressing needs. Thus the industrial allocations will shift more to labor intensive small industry, to meet two needs: to soak up unemployment and to meet internal consumption needs better.

Highest priority will apparently be given to the improvement of the infrastructure, especially in terms of road construction and railroad refurbishment. In addition, there will be an increase in the amount of vehicles produced each year. New emphasis will be placed on electrical development.

Agriculture will also be a more favored sector under the new plan, with increased attention to meeting the irrigation needs of the agricultural sector.

Finally, there will be a great emphasis on the housing problems of Algeria, with a major thrust to build 100,000 urban housing units and 120,000 rural family units.<sup>127</sup> This will in turn require the improvement in the status of the construction material industry as a target of government funds.

Thus Algeria's priority structure appears likely to



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undergo drastic revision in the near future and deserves  
a close watching.

Table 4: Percentage breakdown of Algerian investment and planned investment budgets, summed, by area for 1973.

Industry	46.38
Rural development	12.03
Education	6.51
Construction	1.34
Water	4.53
Tourism	1.96
Fishing	.30
Communications	2.52
Telecommunications	.83
Administrative infrastructure	2.08
Rural habitat	1.67
Urban management	.17
Collective equipment	1.67
Social infrastructure	2.18
Social programs	5.42
Transportation	2.97
Urban living	3.75
Industrial zones	1.04
Commerce	.88
<u>Enterprise</u>	<u>1.75</u>
Total in millions of dinars	12.00

#### FOOTNOTES

1. The Project for Theoretical Politics, supported by ARPA Contract No. DAHC 15 73 C 0197. This paper was written by the author as a summer assistant on the project. My thanks are extended to Dr. Warren Phillips and Dr. Stuart Thorson, the projects principal investigators, for giving the opportunity and assistance to write the paper.
2. A publication of the United States government.
3. Saudi Arabia is excluded from the analysis due to the conservative nature of the regime, as opposed to the profess-  
edly revolutionary regimes in the other four nations.
4. FBIS, #75, 18 April 1973.
5. Speech to Majlis presenting the 5 year plan, Kayhan International, 13 January 1973, p.4
6. FBIS, #41, 1 March 1973.
7. FBIS, #116, 16 June 1971.
8. FBIS, #84, 30 April 1971.
9. FBIS, #114, 12 June 1972.
10. FBIS, #143, 24 July 1972.
11. See speech by Kaddafi in FBIS, #114, 12 June 1972.
12. "The Great Fighter", Economist, #245, 23 December 1972, p.26.
13. FBIS, #143, 24 July 1972.
14. Ibid.
15. "One more deadline", Economist, #244, 12 August 1972, p.28.
16. Reported in Arab Report and Record ARR, dated 9 January 1972.
17. FBIS, #114, 12 June 1972.
18. ARR, 30 December 1971; ARR 2 January 1972; ARR, 9 January 1972; ARR, 25 January 1972; ARR, 26 April 1972.
19. ARR, 19 April 1972; ARR, 29 July 1972; ARR, 6 August 1972.
20. FBIS, #114, 12 June 1972.

21. ARR, 23 January 1971.
22. ARR, 12 October 1971; ARR, 11 November 1971; ARR, 18 August 1972.
23. ARR, 11 November 1971.
24. ARR, 17 January 1971; ARR, 17 August 1971; ARR, 2 May 1972; ARR, 27 August 1972.
25. ARR, 15 June 1972.
26. FBIS, #114, 12 June 1972.
27. ARR, 11 August 1972.
28. ARR, 7 December 1971.
29. FBIS, #143, 24 July 1972.
30. "But whose is the conscience of the nation?", Economist #245, 16 December 1972, pp. 44-45.
31. ARR, 6 January 1971.
32. ARR, 11 February 1971.
33. ARR, 11 September 1971.
34. ARR, 14 October 1971.
35. ARR, 12 October 1971.
36. ARR, 25 October 1971.
37. ARR, 8 November 1971.
38. ARR, 22 February 1972.
39. ARR, 29 May 1972.
40. ARR, 24 May 1972.
41. ARR, 27 June 1972.
42. Data on which these next claims are based are found in a memo from the American Embassy in Tripoli to the Department of State, Tripoli A-178, November 30, 1972.
43. ARR, 29 April 1972.
44. ARR, 19 August 1971.
45. ARR, 17 January 1971.

46. ARR, 5 December 1972.
47. ARR, 17 January 1972.
48. Tripoli A-178
49. ARR, 13 January 1971; ARR, 26 January 1971; ARR, 3 May 1972 .
50. ARR, 1 September 1971; ARR, 29 October 1971; ARR, 29 February 1972; ARR, 29 June 1972.
51. ARR, 2 January 1971; ARR, 13 January 1971.
52. ARR, 17 September 1971.
53. ARR, 4 February 1972.
54. ARR, 5 January 1972.
55. ARR, 29 October 1971.
56. ARR, 17 January 1971.
57. Memo from the American Embassy in Jidda to the State Department, Jidda A-138 , 19 September 1971.
58. Sources of budget data for Saudi Arabia are: Jidda A-138; Memo from the American Embassy in Jidda to the State Department, Jidda A-90, 16 August 1972; and "Draft Translation: Saudi Arabian State Budget for 1972/1973", 1 August 1973. Conclusions based on Saudi Arabian budget figures must be very tentative because the government consistently spends much less than its budgets, and that holds across all budgetary subdivisions
59. Not all of this expenditure is for entirely military and security purposes, though. For example, according to ARR, dated 15 September 1971, the King Faisal Military City has among its facilities two schools, a hospital, a power station, a water-processing plant and a bakery capable of producing 12 tons of bread per day. Most likely the funds for these were intended to serve some humanitarian goal by having the military base supply the surrounding community in addition to its own internal needs.
60. Saudi Arabian Monetary Agency, Annual Report, 1390-91 A.H. (1971), June 29, 1972, p.41.
61. Ibid, p.56.
62. Ibid, p.46.
63. Ibid, p.48.

64. Ibid, p. 94-5
65. Ibid, p. 94-5
66. Ibid, p. 47-49
67. At Jeddah, Riyadh and Damman, Ibid, p. 63
68. These figures have been derived from tables in Ibid, pp. 64-65
69. ARR, 4 September 1971.
70. FBIS. #139, 18 July 1972.
71. ARR, 30 January 1971; ARR, 24 November 1971; ARR, 24 November 1971.
72. Seven tankers were purchased from Spain in November of 1971 at a cost of \$28.35 million, and on April 24, 1972 \$140.5 million was allocated for the creation of an oil tanker company. See ARR, 5 November 1971; ARR, 8 January 1972; ARR, 24 April 1972.
73. ARR, 5 April 1972; ARR, 31 August 1972.
74. ARR, 29 April 1972.
75. ARR, 22 January 1971; ARR, 1 February 1972.
76. ARR, 14 February 1972.
77. ARR, 29 January 1971; in addition to this agricultural program the regime also announced a series of development projects and a road construction program for the Kurdish area, so that there is reason to believe that pacification of the Kurds is a goal unique to the Iraqis and highly salient to them.
78. ARR, 28 January 1971.
79. ARR, 24 January 1971; ARR, 3 January 1972; ARR, 20 January 1972; ARR, 17 April 1972.
80. ARR, 9 January 1971.
81. ARR, 10 February 1972; ARR, 26 March 1972; ARR, 3 September 1972; ARR, 4 August 1972.
82. ARR, 26 August 1971; ARR, 28 January 1971.
83. "Beggars are choosers", Economist, #244, 1 July 1972, p. 41.

84. Explicit decisions concerning this involved Soviet agreements to assist in the expansion of production in the North Rumaila fields, ARR, 26 August 1971; ARR, 3 August 1972. A decision was also made to exploit three new fields, ARR, 6 August 1972.
85. ARR, 16 November 1971; ARR 18 December 1971.
86. ARR, 1 February 1972. This action included a demand for the payment of \$228 million in back royalties since 1964.
87. ARR, reported 12 instances in which Iraq was a recipient of foreign aid. In 11 of the cases the donor was a member of the communist world. Also, ARR reported 8 cases in which Iraq was the recipient of a long-term low interest loan.
88. ARR, 18 January 1971.
89. ARR, 29 September 1971.
90. ARR, 29 April 1972; ARR, 12 June 1972.
91. FBIS, #67, 7 April 1971.
92. Memo from U.S. Intelligence, Algiers, to the Department of State, "Algeria Prepares for its Third Plan", Algiers A-204, November 1, 1972, p.1.
93. FBIS, # 116, 16 June 1971.
94. FBIS, #67, 7 April 1971.
95. Memo from U.S. Intelligence, Algiers, to the Department of State, "Economic Trends Report", Algiers A-107, 29 June 1973, p.4.
96. ARR, 7 October 1971.
97. Algiers A-107, p.4.
98. Ibid, p.4.
99. Ibid, pp.5-6.
100. ARR, 9 August 1972.
101. ARR, 21 August 1971.
102. ARR, 11 February 1972.
103. ARR, 16, November 1972.
104. ARR, 14 January 1972.

105. ARR, 17 November 1971.
106. ARR, 8 November 1971; ARR, 19 June 1972.
107. FBIS, #167, 7 April 1971.
108. As of October, 1972 8 of Algeria's 13 provinces had been allocated such special assistance, ARR, 5 October 1972.
109. ARR, 26 August 1971; ARR, 10 August 1972.
110. ARR, 23 November 1971.
111. ARR, 30 May 1972.
112. All of the above points were made in Algiers A-204.
113. ARR, 2 February 1971.
114. ARR, reported 23 loans made to Algeria over the period 1971-1972, amounting to a total close to \$600 million.
115. ARR, reported 7 grants of foreign aid to Algeria in the period 1971-1972.
116. Memo from U.S. Intelligence, Algiers, to the Department of State, "Algerian Central Government Budget for 1973", Algiers A-009, 10 January 1973, p.1.
117. Ibid, p.1.
118. ARR, 22 April 1972.
119. Algiers, A-107, p.11.
120. FBIS, #131, 6 July 1972.
121. ARR, 12 September 1972.
122. Middle East Journal, 31 July 1972.
123. FBIS, #131, 6 July 1972.
124. Algiers A-107. p.9.
125. Ibid, p. 9-10.
126. Algiers A-204; and Algiers A-107 are sources for predictions of future changes in Algerian priorities.
127. Algiers A-204, p.2



128. For important statements of Iranian perceptions of foreign policy and military problems, see FBIS, #112, 11 June 1973.
129. Information and Press Department, Ministry of Foreign Affairs, Iran To-Day, (Tehran, 1973), p. 50.
130. Ibid, p.61
131. Ibid, p.58
132. Ibid, p.65
133. "The Shah's Turn", Economist, #246, 27 January 1973, pp. 72, 75.
134. Iran To-Day, pp. 101-102.
135. Central Bureau of the Budget, Plan Organization, Report of the Prime Minister on the State of the Iranian Economy, 1347-1350 and Government Programmes for 1351 (Tehran, 1351), pp. 11-13.
136. Iran To-Day, pp. 69-70.
137. Report of the Prime Minister, p. 80.
138. Iran To-Day, p. 45.
139. Report of the Prime Minister, pp 84-86.
140. "While the oil flows", Economist, #246, 3 February 1973, p. 67.
141. Iran To-Day, p. 65.
142. Ibid, p. 73
143. Report of the Prime Minister, p. 17